

**Broadway-Hale Stores, Inc.
and Subsidiaries**

**Consolidated
Balance Sheet**

CURRENT ASSETS

	<u>January 31, 1970</u>	<u>February 1, 1969 Restated</u>
Cash	\$ 12,488,000	\$ 10,760,000
Accounts receivable, less \$2,231,000 and \$2,042,000 allowance for doubtful accounts	110,528,000	93,814,000
Equity in \$55,444,000 and \$55,475,000 accounts receivable sold	5,544,000	5,547,000
Reimbursable construction costs under sale and lease-back agreements	8,722,000	3,047,000
Merchandise inventories	109,065,000	107,062,000
Operating supplies and prepaid expenses	<u>6,985,000</u>	<u>6,293,000</u>
TOTAL CURRENT ASSETS	253,332,000	226,523,000
PROPERTY AND EQUIPMENT	126,673,000	127,761,000
EXCESS OF COST OF INVESTMENT IN THE EMPORIUM CAPWELL COMPANY OVER EQUITY IN NET ASSETS AT DATES OF ACQUISITION	40,605,000	40,605,000
OTHER ASSETS	<u>2,777,000</u>	<u>4,098,000</u>
TOTAL ASSETS	<u>\$423,387,000</u>	<u>\$398,987,000</u>

See accompanying Notes to Financial Statements

Financial Statements

	January 31, 1970	February 1, 1969 Restated
CURRENT LIABILITIES		
Notes payable.....	\$ 20,275,000	\$ 18,900,000
Current instalments on long term notes payable	11,913,000	3,915,000
Accounts payable and accrued expenses	56,731,000	56,286,000
Dividends payable.....	2,789,000	2,296,000
Current federal income tax	8,988,000	7,781,000
Deferred federal income tax	<u>15,931,000</u>	<u>12,843,000</u>
TOTAL CURRENT LIABILITIES	116,627,000	102,021,000
LONG TERM NOTES PAYABLE	84,128,000	87,943,000
PENSIONS AND OTHER LONG TERM LIABILITIES.....	11,042,000	8,491,000
MINORITY INTEREST IN THE EMPORIUM CAPWELL COMPANY.....	44,063,000	41,882,000
EQUITY OF SHAREHOLDERS		
Preferred stock, \$5 par value (liquidation value \$50,079,000) .	5,564,000	5,564,000
Common stock, \$5 par value	32,595,000	32,595,000
Other paid-in capital.....	37,031,000	37,031,000
Accumulated earnings	93,748,000	84,871,000
Less—54,000 shares of common stock held in treasury, at cost.	<u>(1,411,000)</u>	<u>(1,411,000)</u>
TOTAL EQUITY OF SHAREHOLDERS.....	<u>167,527,000</u>	<u>158,650,000</u>
TOTAL LIABILITIES AND EQUITY OF SHAREHOLDERS	<u>\$423,387,000</u>	<u>\$398,987,000</u>

**Broadway-Hale Stores, Inc.
and Subsidiaries**

**Consolidated
Current Earnings**

		<i>Fiscal Year Ended</i>	
		<i>January 31, 1970</i>	<i>February 1, 1969 Restated</i>
NET SALES, including sales of leased departments.		\$639,661,000	\$588,132,000
COSTS AND EXPENSES			
Cost of goods sold		381,413,000	348,952,000
Selling, operating and administrative expenses, less credit service charges		161,475,000	150,473,000
Taxes other than federal income tax		19,879,000	17,782,000
Rentals of real property		11,873,000	11,542,000
Depreciation and amortization		9,069,000	8,250,000
Interest		10,804,000	8,241,000
Minority interest in net earnings of The Emporium Capwell Company		4,644,000	4,305,000
Federal income tax		23,000,000	21,761,000
TOTAL		622,157,000	571,306,000
NET EARNINGS		\$ 17,504,000	\$ 16,826,000
PER SHARE OF COMMON STOCK		<u>\$2.36</u>	<u>\$2.25</u>
PER SHARE OF COMMON STOCK—ASSUMING FULL CONVERSION OF PREFERRED STOCK		<u>\$2.31</u>	<u>\$2.21</u>

See accompanying Notes to Financial Statements

Financial Statements

Consolidated Accumulated Earnings

		Fiscal Year Ended	
		January 31, 1970	February 1, 1969 Restated
BALANCE AT BEGINNING OF YEAR	.....	\$84,871,000	\$75,457,000
NET EARNINGS	.....	17,504,000	16,826,000
CASH DIVIDENDS			
Common stock, \$1.00 per share	.....	(6,412,000)	(6,360,000)
Preferred stock, \$2.00 and \$.25 per share	.....	(2,022,000)	(75,000)
Paid by subsidiaries prior to pooling	.....	(193,000)	(977,000)
BALANCE AT END OF YEAR	.....	<u>\$93,748,000</u>	<u>\$84,871,000</u>

Consolidated Statement of Source and Application of Funds

		Fiscal Year Ended	
		January 31, 1970	February 1, 1969 Restated
SOURCE OF FUNDS			
Net earnings	.....	\$17,504,000	\$16,826,000
Depreciation and amortization	.....	9,069,000	8,250,000
Earnings credited to minority interest, less dividends paid	...	2,181,000	1,943,000
Issuance of long term notes	.....	5,250,000	16,548,000
Increase (decrease) in pensions and other long term liabilities		2,551,000	(567,000)
Decrease in other assets	.....	1,321,000	894,000
TOTAL	.....	<u>37,876,000</u>	<u>43,894,000</u>
APPLICATION OF FUNDS			
Cash dividends	.....	8,434,000	6,435,000
Dividends paid by pooled subsidiaries	.....	193,000	977,000
Property additions, net	.....	7,981,000	31,822,000
Payments on long term notes	.....	9,065,000	4,303,000
TOTAL	.....	<u>25,673,000</u>	<u>43,537,000</u>
INCREASE IN WORKING CAPITAL	.....	<u>\$12,203,000</u>	<u>\$ 357,000</u>

See accompanying Notes to Financial Statements

Letter to Shareholders

Consolidated sales of Broadway-Hale Stores, Inc. for fiscal 1969 advanced 8.8% to the new record level of \$640 million. This compares with \$588 million as restated to account for the purchase of Walden Book Company in November 1969 on a pooling of interests basis, and with \$580 million as reported last year.

Consolidated net profits after preferred dividends were \$22 million of which \$17.5 million was attributable to Broadway-Hale common shareholders and \$4.6 million to the minority interest of The Emporium Capwell Company. In terms of the average number of common shares outstanding, this equalled \$2.36 per share of Broadway as compared with \$2.26 reported last year or \$2.25 as restated. Dividends were paid during the year on the common stock in the amount of one dollar per share.

The Company's strong financial position was further enhanced during the year as reflected in the accompanying consolidated balance sheet as of January 31, 1970.

During 1969 two new Broadway stores were opened. The first, in Fashion Valley, San Diego, which replaced the former downtown store in that city, is exceeding sales expectations. The second, located in Scottsdale, Arizona, likewise is being well received by its customers. An elegant new Neiman-Marcus store is presently under construction in Bal Harbour, Florida, as is a large Emporium store in Mountain View, California. Weinstock's will enter another market with a major unit in the regional shopping center being completed this Fall in Fresno, and a newly designed Broadway will be one of the three anchor stores in a shopping center opening this Fall in Riverside, California.

The outlook for 1970 is obviously extraordinarily difficult to forecast with confidence. We expect however that the year as a whole will prove to be another successful one for this Company. Moreover we are optimistic about the prospects for the balance of the decade. California, Arizona and Nevada, where the Company's forty-eight department stores operate, are areas of rapid expansion which should afford the opportunity for building

Financial Highlights

	1969	1968 Restated
Sales	\$639,661,000	\$588,132,000
Net earnings	17,504,000	16,826,000
Per share of common stock	2.36	2.25
AT YEAR END		
Working capital	136,705,000	124,502,000
Property and equipment	126,673,000	127,761,000
Total assets	423,387,000	398,987,000
Long term debt	84,128,000	87,943,000
Equity of shareholders	167,527,000	158,650,000

several new stores per year as well as assuring continued growth of sales in the existing ones. Texas, where the four Neiman-Marcus stores are located, likewise has a rapid growth rate; and plans for establishing additional Neiman-Marcus stores nationwide in population centers of affluence are progressing satisfactorily.

The Company's newest subsidiary, Walden Book Company of Stamford, Connecticut, which was acquired in November for 105,000 shares of common stock, will be opening approximately 40 new book stores in 1970, mostly in leading shopping centers throughout the country and its sales are expected to grow profitably from last year's \$11 million to about \$50 million by 1975.

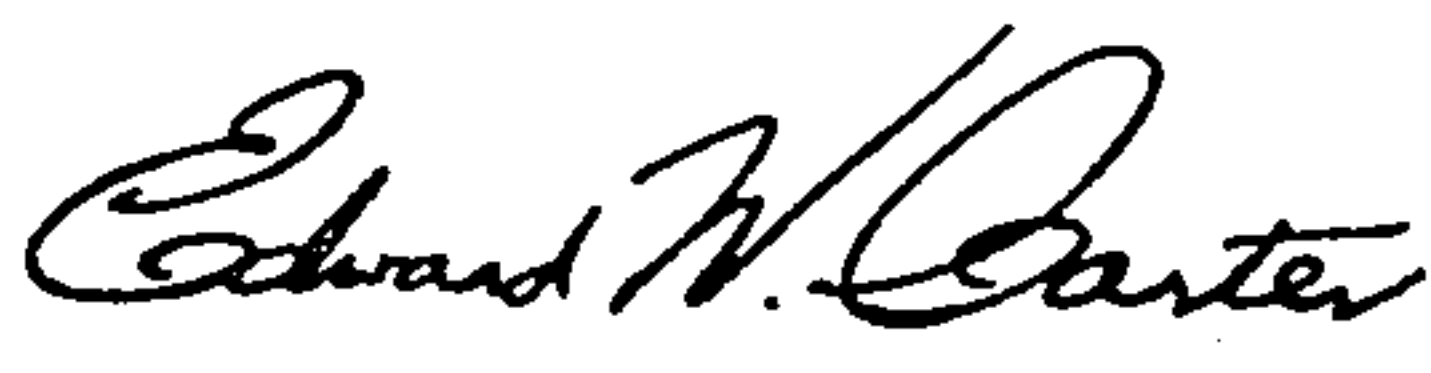
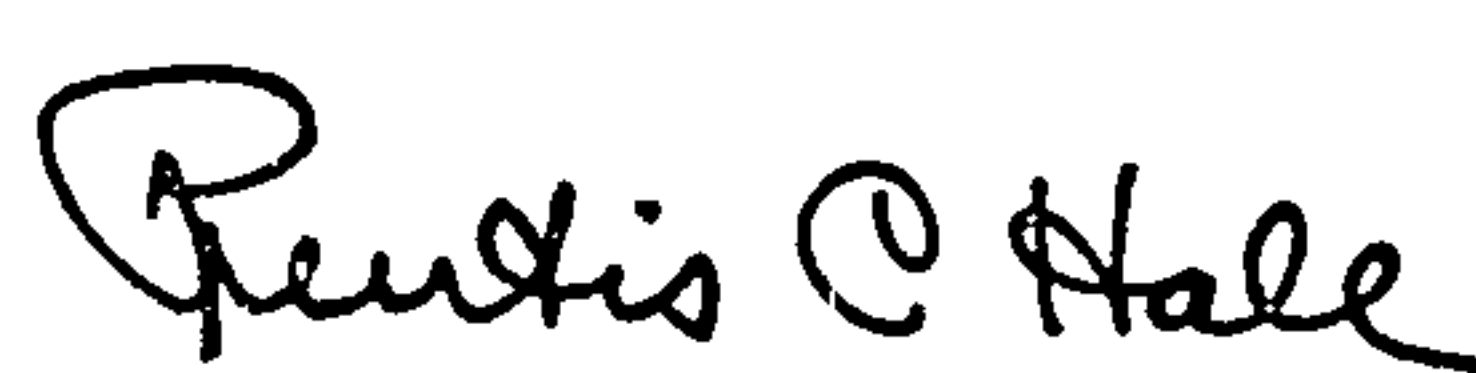
The model photographed on the opposite page portrays Broadway Plaza, an innovative and unique metropolitan complex, to be built soon in downtown Los Angeles by Broadway-Hale and Ogden Development Company as co-venturers. It will consist of 1) a new flagship Broadway store replacing the present one at the site of the Company's founding seventy-four years ago; 2) an inviting multi-level enclosed retail shopping mall accommodating a number of other quality merchants; 3) a five hundred room luxury hotel; 4) a 34-story office building; and 5) a parking structure accommodating approximately 1800 cars. This center to be located on the four-and-one-half acre block bounded by Seventh, Eighth, Flower and Hope Streets may become the prototype for new core city projects much as did the Company's Crenshaw shopping center for post-war suburban developments.

As you have been informed, Broadway-Hale has been negotiating a merger with Emporium Capwell, to eliminate the present outstanding minority interest. Although there is mutual agreement as to the desirability of merging, discussions with regard to an equitable exchange ratio have been somewhat discouraging. We are nonetheless still hopeful that an agreement can be reached.

With regret we report the retirement from the Board of Directors of Oliver C. Field, who has made a fine contribution to the Company over a period of nearly eighteen years. His replacement as a Director is Philip M. Hawley, President of the Company's Broadway Division. James H. Brewer, who served so effectively as Vice President for Store Planning and Construction during the past twenty-two years, retired at year end under the Company's retirement plan.

We take this opportunity to express thanks to the Company's more than 20,000 employees for continuing to serve our millions of customers so successfully during the past year.

Respectfully submitted for the Board of Directors,

Edward W. Carter: President

Prentis C. Hale: Chairman of the Board

April 15, 1970

*"Shopping should be an adventure!
To this end our merchandise should never be
dull...it should have a high degree of
newness, excitement and flair!"*

Q: "Is making shopping an adventure at the Broadway a quality you seek and attempt to maintain in everything you do, Mr. Hawley?"

A: "Yes, we try to be adventuresome in every aspect. Take our British promotion last fall. We could have simply displayed British merchandise and let the customers stumble upon it. But we did more. We displayed an entire stateroom dismantled from the Queen Mary and reassembled in one of our stores! Now that's excitement! We brought over British craftsmen and artisans, the Town Crier of London, replicas of the Crown Jewels. And the British government provided us with 28 tons of authentic display material. We made that promotion an adventure comparable to being in Britain!"

Q: "And the sales stimulants you provided were extremely successful...but what benefits did you derive from an effort like your Hollywood Bowl promotion?"

A: "It's my opinion that a store has a personality which becomes impressed upon the customer's mind. They call it 'image' today. We portray that personality, enhance it, affirm it. With the Hollywood Bowl effort we were tuning in to high school students who are important customers to us."

Q: "You've increased your acceptance in the broad middle income family group considerably. How do you do it?"

A: "In several ways. First, by selecting store locations adjacent to middle income family residential areas. Second, we have a policy of building tasteful stores with an emphasis on quality and elegant surroundings. Third, we carefully evaluate and analyze the desires and needs of that middle income customer and measure our merchandise against those desires. Where we find it doesn't measure up, we improve our merchandising mix."

Q: "Is there any other area in which you've made a change?"

A: "Yes. We set about changing the look of our advertising. We not only made it more contemporary, we selected merchandise with appeal to the middle income family."

Q: "You've also planned more stores, haven't you?"

A: "Yes we have. We've been very cognizant of the trend toward convenience, ease in shopping and service...we've gone out to where the customers are!"

Q: "You certainly have! From a geographic standpoint, you're widely distributed throughout Southern California, Nevada and Arizona. How many new stores a year do you plan now?"

A: "We'll probably stay at our current rate of 2 to 3 a year. You know, as recently as 1960, the Broadway had only 10 stores! Today we have 28. And we're continually updating the older stores or replacing them with newer ones. I'm sure you know about the new store we're planning in downtown Los Angeles!"

Q: "Yes, indeed! Looks quite impressive! And what do you see in the way of growth over say the next 5 years?"

A: "The Broadway is a regional group of stores and our present plans call for us to have in the neighborhood of 40 stores by 1975 in the same marketing areas we're currently covering."

Q: "That's quite a future! And what do you notice today in your merchandise acceptance? Is any particular item or group of items gaining more than others?"

A: "The key factor we're noting is *less* of an emphasis on what we call 'need merchandise,' the basic utility items, and *more* of an emphasis on 'want merchandise,' discretionary merchandise. You see, as average family incomes have gone up, we're seeing an increased demand for 'want merchandise'."

Q: "And what does that mean to the retailer?"

A: "It means we must put more emphasis on the unusual, the merchandise with style and flair, the tempting merchandise. Our buyers travel all over the world. The number of markets they cover is truly astounding! They look for the unique."

Q: "Does it affect the way you buy?"

A: "Fortunately we enjoy an extremely large buying power. It enables us to offer broad selections catering to many taste levels. Outstanding values, too, through our private label program."

Q: "This is the challenge you must meet today, isn't it?"

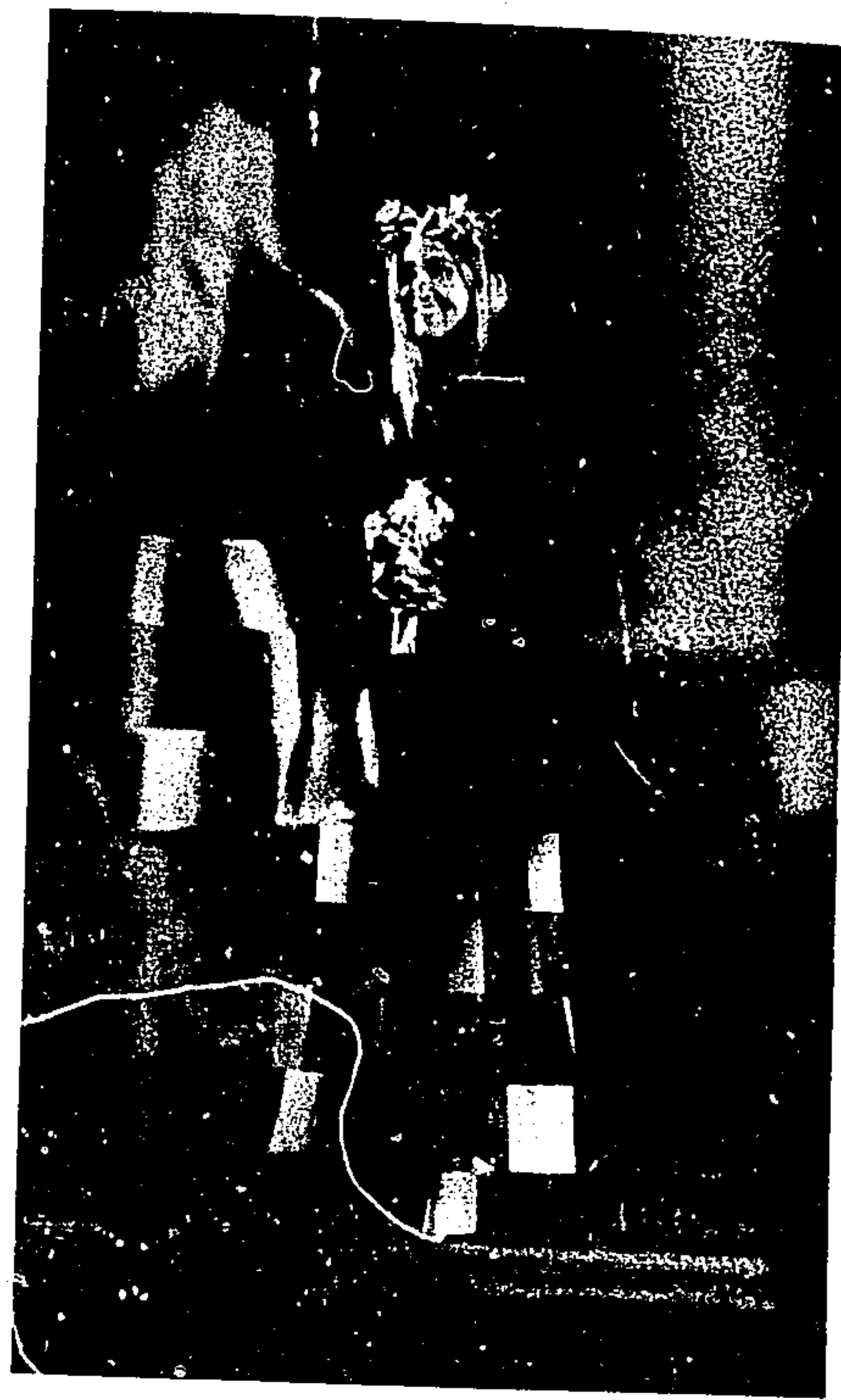
A: "Part of it, yes. The other part is keeping up with the pace of change! We're dealing today with a far more sophisticated customer, one who is better educated, more discriminating, with a higher taste level, and alert to everything going on. The pace of change has definitely accelerated. Customer preferences are moving so fast, if you blink you might miss something!"

Q: "With your eyes wide open then, how do these changes affect your merchandising?"

A: "It involves an entirely new approach as to how we present merchandise. Fashion used to be a word associated with women's clothes. Today, there's fashion all the way...from a dress to a tire for your car! Fashion knows no boundaries. So we have a new approach. For example, we don't just show the shirt... we show the tie that goes with it. And the handkerchief. Coordination of merchandise is far more important today."

Q: "Is this coordination reflected in the merchandise presentation?"

A: "Yes, you see retailing has made a departure from the bland, big mass displays over acres of floors and has collected merchandise into groups, coordinated groups, the way the customers want to buy."



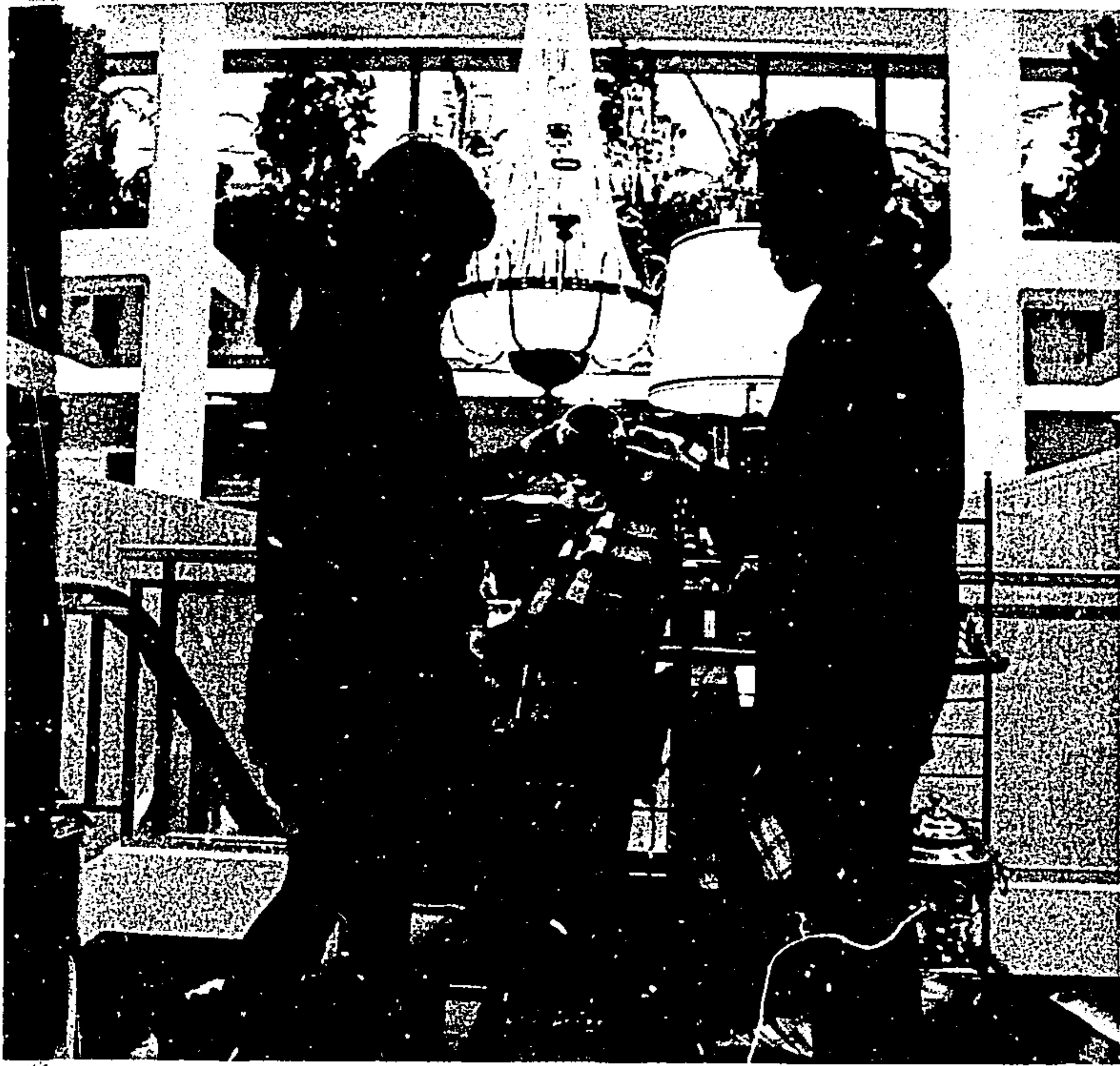
"Let's take it a step further...do you think the structure of retailing and distribution to customers will stay within its present pattern or will we be buying a swimming pool or an airplane from a department store of the future...and how?"

Q: "If you're asking me if I foresee changes in the way people will shop over the next 10 years and, more important, will the Broadway be sensitive to these innovations...my answer is yes! You see, the common denominator is change as far as the retailer is concerned."

Q: "To look at the more immediate future, could you give us a few words on your basic philosophy and objectives today?"

A: "Many years ago we were known as a budget store. We set down a very calculated strategy to win acceptance in the middle price lines. Our objective today is to have broad appeal to middle income families by featuring tasteful merchandise for that customer group."

Broadway



Broadway merchandising plans have expanded yearly to include eventful promotions such as the Hollywood Bowl concert, held before the opening of school and featuring youthful fashions and contemporary music. Another, a British promotion, held this year during October, proved so successful that similar merchandising emphasis is planned again next year. Additionally, new store openings each year widen the Broadway influence on fashions and living modes.



Emporium Capwell

"Dominance in our business results from consistently serving customers with wide selections of merchandise... where the customers want it... at the right time and price."

Q: "What does The Emporium Capwell Company really mean to Northern California?"

A: "It's very easy to answer that one. Without any qualifications, I can say that Emporium Capwell is the dominant full line department store group in the area. We've simply been the the major force in the San Francisco Bay area, with complete assortments, the development of a fashion approach to all lines of merchandise and competitive services to our customers. We are very sensitive to our customers, and they take a very proprietary attitude towards the way we run this business. And we've responded to that."

Q: "Is your trading area comparable to other California areas in growth potential in retailing?"

A: "Yes, by all means. We have tremendous wide open spaces for continued population growth...and a plan to keep one step ahead. By that I mean Emporium Capwell is situated with adequate raw land, awaiting the movement of people into the area, and we continue to study all areas for proper locations for new stores."

Q: "That means more suburban shopping center stores, doesn't it?"

A: "That's right, and our experience in growing areas both north, south and east of San Francisco in the past convinces us that there is tremendous opportunity for the retail department store that recognizes changes in our mode of living. By that I mean the need of an automobile oriented society to reduce its travel time by shopping in a store that offers a full line of merchandise conveniently located near home."

Q: "Do you ever plan to move into other adjoining states?"

A: "That's a distinct possibility, when the opportunity arises, or when we make it come about. Our limitation is not one of state boundaries, but the logistics of our growth. As you

might expect, we like to solidify our new openings, get them profitable the first year, before we step out further into new locations. But we are inclined to look around constantly, with continued expansion in mind."

Q: "The 'Big E' is considered a San Francisco institution. How did it acquire that reputation?"

A: "By being a store with balanced departmental strengths, a store in which a full selection of the basic department store items always is available. So when a wife goes into a 'Big E' store, she's sure she will be able to find that specific size and style her family needs. She, of course, stays in the store to complete other purchases, and that's what we like her to do."

Q: "What is the 'now generation' expecting from you, and how do you deliver? In short, are the youngsters shopping Emporium Capwell more these days?"

A: "Of course, the youngsters recognize both Emporium and Capwell stores as their shopping headquarters. We would be foolish to ignore them...so we treat our young customers with all the attention accorded to every other age level. Witness our complete promotional program for the young people."

Q: "Do you plan to maintain your present image, or are you changing it constantly?"

A: "Anyone who sits still in this business is asking for trouble. We aren't handling exactly the same merchandise we did a year ago, but we are applying the same successful basic principles to its sale. We're always willing to experiment, to find a new method. Right now, we are undergoing a major store renovation right here in San Francisco. We are, to put it succinctly, always changing, yes sir."

Q: "This could mean problems, couldn't it?"

A: "Not if there is a strong element of consistency in what you do, in what the customer expects from you. The Emporium Capwell approach, even in the midst of constant change, is one of consistency in the basic merchandising attitude and its application in product mix and

display. Walk through any of our stores today and you will sense this element in practically everything we do. This truly builds customer loyalty. They know us for what we are and what we can be to their requirements."

Q: "What is the main distinguishing feature or philosophy which characterizes Emporium Capwell?"

A: "Our basic philosophy is that we will operate for a proper profit in each department of our business. And we grow our own talent to accomplish this. Most of our management, including myself, grew up in Emporium Capwell, learned the fundamentals of its success, and with variations have continued to apply these merchandising techniques to every succeeding year. We are basically motivated by our profit sense in this respect. It must earn a good return, or it isn't worth doing, is it?"

Q: "What do you specifically do to insure adequate profitable returns?"

A: "Keep control, I'd say, of what is going on day to day in the business. Our corporate staff, though small, is comprised of the right kind of talent to insure maintaining an adequate return on sales. We try to go out to our stores at least once a week, at least that's my schedule, and it keeps us up to date on every aspect of profitability. We know what's happening, and personal acquaintance with all our store managers is the key to turning a situation around quickly with positive action should the occasion arise. That's an absolute necessity."

Q: "Rapid transit progress, particularly the subway system in this area, is going to affect your business, isn't it?"

A: "We are certainly looking forward to this, since the system will eventually be extended, branching further and further out into our main trading areas. It will bring even more retail sales volume to our terminal oriented department stores."

Q: "Is Market Street back to life again, now that the subway is nearly through?"

A: "Well, you know that people get used to something like a torn up Market Street eventually. It's not all over yet, about another year and a half before we're out of the woods. But business is doing fine. We had a great holiday season... well promoted. When the streets are completely clear, with subway stations right inside our stores, we expect business really to blossom out. Same over in Oakland, another point at which the big subway system has had an effect on the store traffic in the downtown area."

Q: "Downtown San Francisco is a major center, where a downtown store is very viable, but what keeps Oakland a producer?"

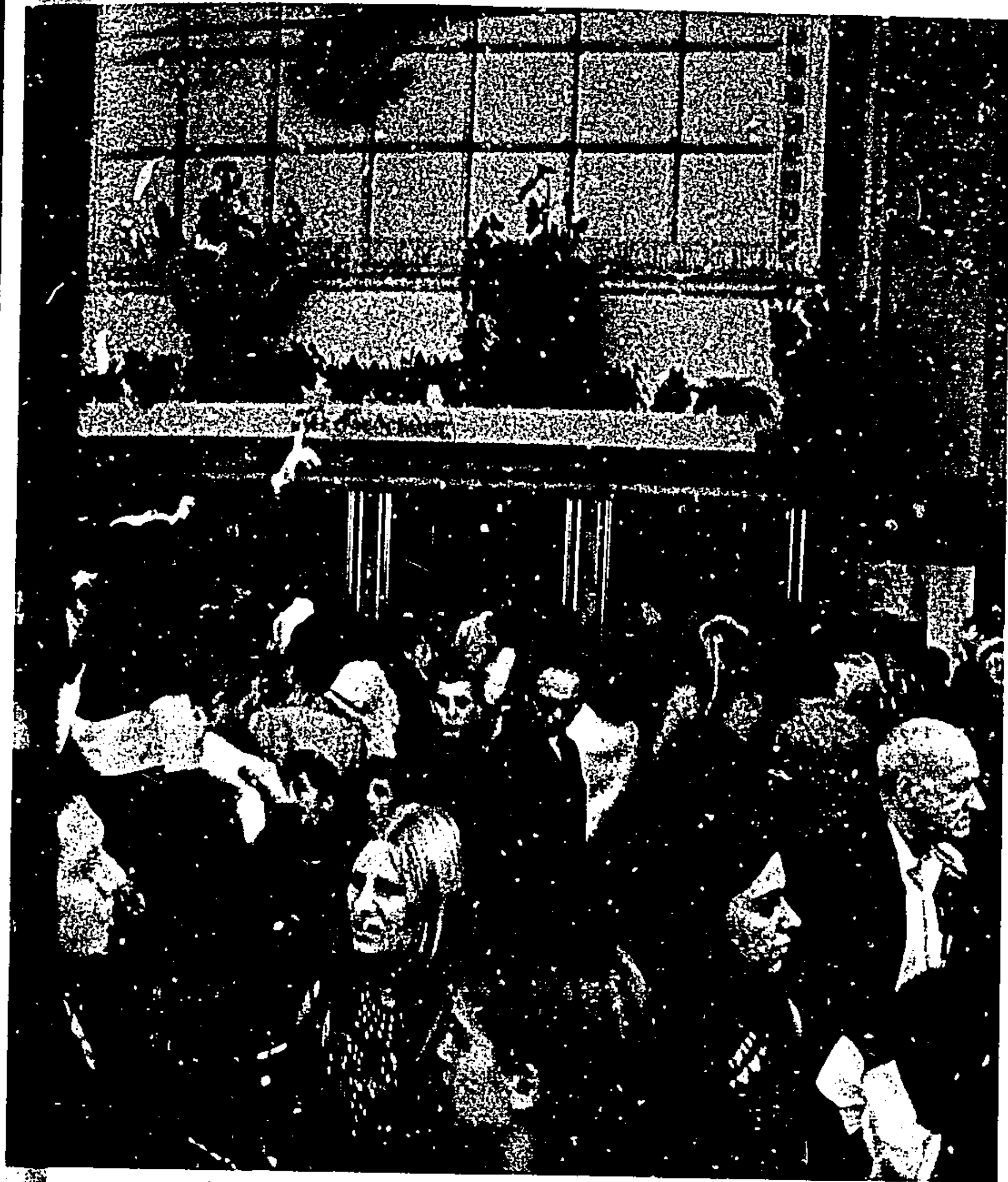
A: "Oakland is one of the five largest cities in California and is the business center for a trading area of over a million people. And Capwell's is the dominant store in this area."

Q: "Do you have any special merchandising plans that are designed to increase your sales volume over what might be considered your share of the Northern California market?"

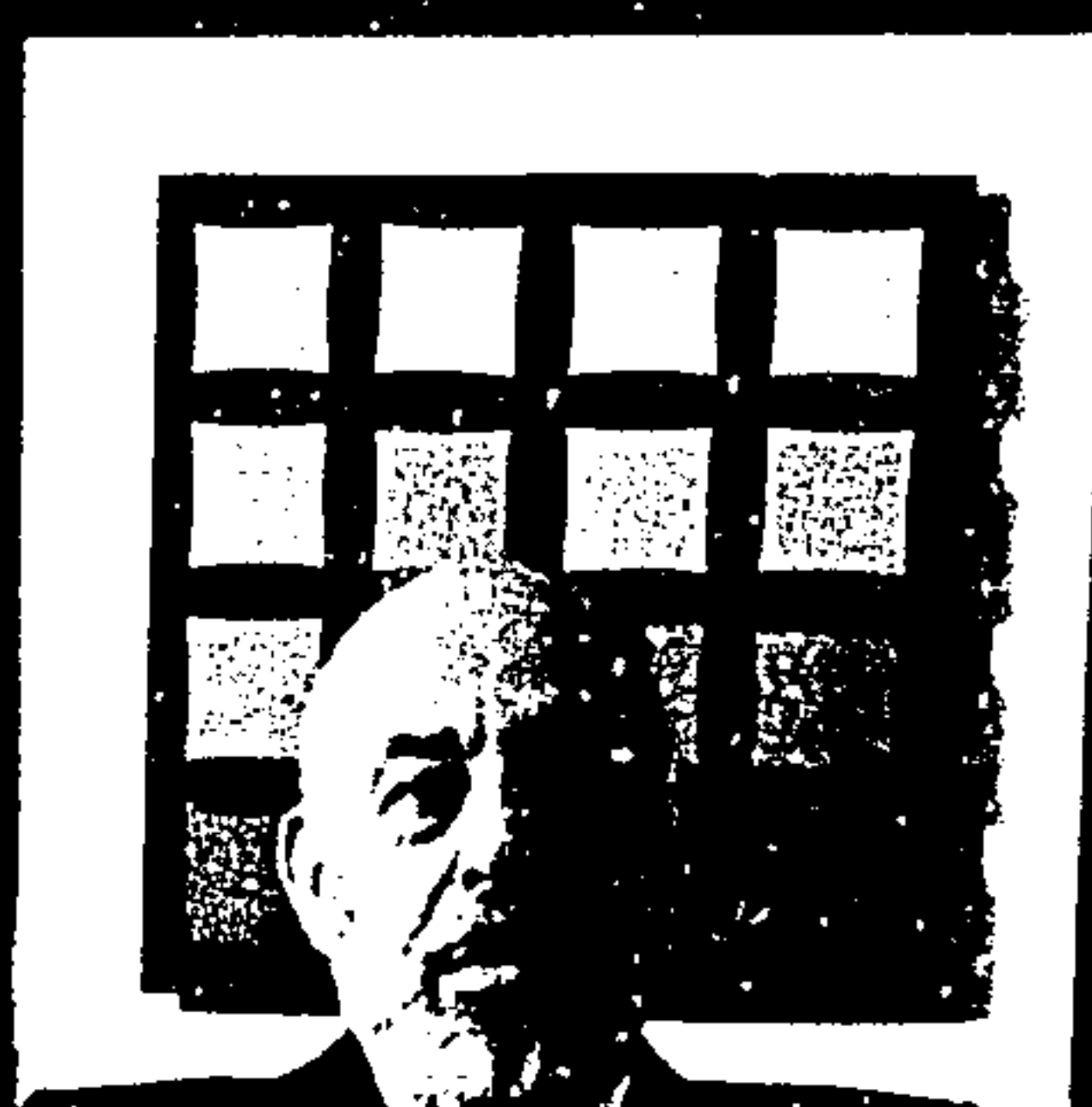
A: "We certainly do. We plan to serve the area with even more stores, doing what our customers have always appreciated, bringing the widest selection of fine merchandise before them at locations which make it easy to shop for more items in one store."



Emporium Capwell



The leading department store in Northern California, the Emporium annually welcomes Santa Claus after his ride down Powell Street on a cable car, then onto Market Street and into the store's auditorium. This San Francisco tradition fills the city's streets with families and their youngsters. Parents take their youngsters to the carnival area on the store's roof garden.



Stanley Marcus
President, Neiman-Marcus Company

Neiman-Marcus

*"No store imposes a fashion...it proposes!
And the customer disposes...it is the customer,
after all, who is the final authority."*

Q: "Can we start, Mr. Marcus, by asking if Neiman-Marcus has changed, now or over the years...or is your approach basically the same?"

A: "We hear a lot about changes in retailing... about the new and younger customer...about many changes...and I've given this considerable thought myself...but I find that nothing changes fundamentally! In my experience in retailing, I've learned that the problem of the merchant is *still* to have *what* the customer wants, *when* he wants it, at a price he is *willing* to pay!"

Q: "Could you elaborate on that basic requirement for us?"

A: "Yes, that's quite a broad statement...but it's true. The only changes we effect are in the different ways we find to solve that basic problem. Brighter lighted floors...more color...a dozen different devices. But essentially we still have to say to ourselves, 'Do our stocks have what our customers want?'."

Q: "The customer then is the final authority, isn't he?"

A: "Yes. *He* decides whether ties will be wide or narrow. And *she* decides if skirts will be mini or maxi or midi. Our authority is helpful in making an attractive and tasteful presentation. No store has the power to dictate to its customers. Nor do we ever intend to. You see, we believe that Neiman-Marcus is what it is *because* of its presentation. It represents a point of view, an *edited* point of view. Ours. It's the manner in which we edit that makes the difference."

Q: "It's this 'editing' then that helps the customer?"

A: "Yes. And it's also what distinguishes Neiman-Marcus from other stores. Many stores have bigger assortments than we have. But as one customer said to me once, 'What I like about your store is what I *don't* find in it!'"

Q: "This meant that he didn't have to search so long for what he wanted?"

A: "Yes. You see he was saying, 'You make it easy for me to find the jewel. You show me six things, all of them excellent, instead of twenty!'"

Q: "Mr. Marcus, as one of the different ways you might meet a retailer's task, would you comment on boutique developments?"

A: "Well, we *feel* that we were actually one of the discoverers of the boutique idea!...way back in 1922 or 23. You see, when I came into the business in 1926, my father had already established the slogan... 'A Store of Individual Specialty Shops'."

Q: "Specialty shops...boutiques...same thing then, isn't it?"

A: "Yes, of course."

Q: "What about the youth market, Mr. Marcus, is that a bit overwhelming?"

A: "We're well aware of the needs of the young customer. We've developed our appeal to that market in strength and depth...but here's a point we don't overlook...if half the customers are *under* 25 as they say, the other half are *over* 25! We haven't neglected this other half, the over 25. We've maintained a sense of balance. We are constantly checking to see if we're serving the parents as well as the children...and the grandparents, too!"

Q: "Has this emphasis on youth affected your merchandising?"

A: "It has affected the *products*. We've asked designers to design *youthful* styles and looks, not necessarily *young* looks."

Q: "What of your future plans for more stores?"

A: "First, let me say that in any community we go into, we want to make an important architectural statement...we want to build a store that is beautiful...not necessarily extravagant, but beautiful! Beautiful enough to live up to our motto, that 'Shopping at Neiman-Marcus

is an aesthetic experience...whether you buy or just look'."

Q: "Where do you go from here?"

A: "We are right on the verge now of a growth we've been dreaming about for the past 10 or 15 years. This growth is marked by the opening of our first store outside the state of Texas...our new Florida store in Bal Harbour!"

Q: "And your first Florida store will be the start of this dream coming true?"

A: "Yes, and it will be succeeded by another new Neiman-Marcus store every year or two... throughout the country!"

Q: "May I ask in which areas?"

A: "We're looking to major population centers. It's difficult to pinpoint specific places...but we're looking at cities the size of Atlanta and Washington, D.C., and Chicago and Detroit... cities with the right kind of economic mix to support a Neiman-Marcus store."

Q: "When it comes to creating excitement, you're a master, Mr. Marcus! The Fortnight event is one of the things you're known for isn't it?"

A: "Yes, for some time. We started our Fortnights about 13 or 14 years ago. It was a result of something I saw in Sweden, an exhibition of French merchandise at one of the great department stores in Stockholm. I came back with the idea of taking their basic concept and expanding it from the actual merchandise into various fields of culture. That's why, when we presented our first French Fortnight, we not only brought the best merchandise from France but had art exhibits at the museum, French theatre, a French soloist for the orchestra...a whole series of cultural events."

Q: "And what was the effect of this promotion?"

A: "The effect was the largest single increase for the month of October that we've ever had! It created traffic that was in excess of our Christmas period! We drew people from all parts

of the country. You know, our Fortnight program has become like holding on to a tiger by the tail...we couldn't let go if we wanted to!"

Q: "And I'm sure you don't want to!...You're known for something else, something that could be a problem. You're known as the store that sells \$300 dresses. But we know you offer merchandise at more reasonable prices! Is this label an obstacle?"

A: "It's a problem that's really inherent in our quality of business...part of the penalty you pay for 'exclusivity'...a quality we value and have no desire to destroy. So it is a constant problem of how to hold on to that valuable quality and also enlarge our markets. You know, if you're not careful, you can throw the baby out with the wash water!"

Q: "Exclusivity is your image, isn't it, then?"

A: "Yes, it's Neiman-Marcus and only Neiman-Marcus. I think each store has to do 'its own thing'...the worst thing that anybody can do is to try to copy another institution. It always comes out as a copy. We're an original. And we're going to stay that way. That's our basic philosophy."

Q: "And as a fitting final statement, could you tell us how you intend to keep doing 'your thing'...the Neiman-Marcus thing?"

A: "We are constantly searching the world's markets for the *best* of anything that's made... and we will continue to do this...what we're looking for could be 50 miles away or 5,000 miles away...we're not snobs about *where* it comes from...only about what it is! We're interested in the thing that is good, is new, is creative, and is well made...*wherever* it comes from."

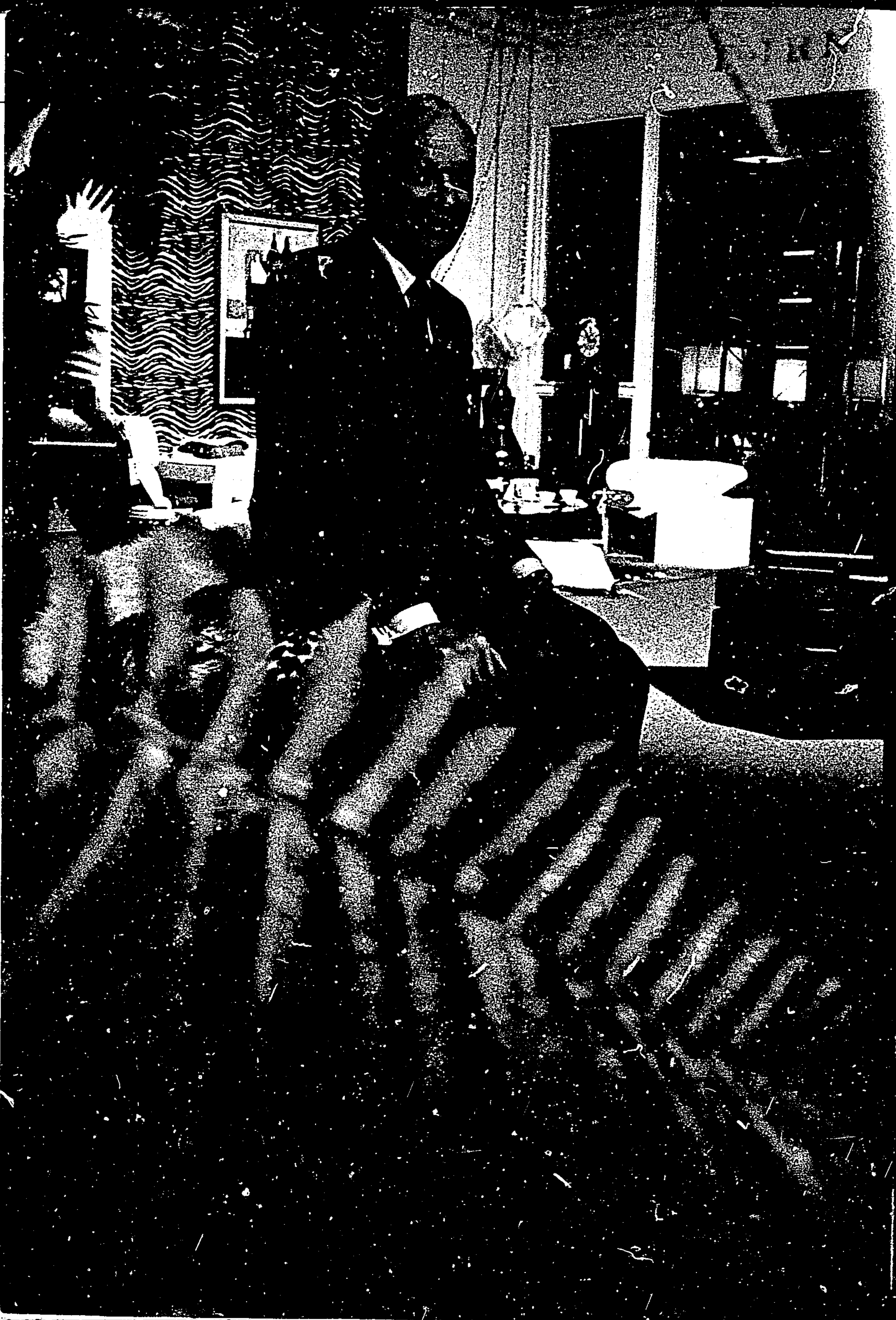


Neiman-Marcus



Besides year long emphasis on fashion and merchandise exclusivity, Neiman-Marcus yearly in October presents its fabled Fortnight which exhibits the romance of another country. Beginning with a colorful evening dinner dance, the occasion is marked by spectacular store decor and events. Jewelry, native arts and crafts and fashion displays are highlighted throughout the Dallas store, local museums and participating institutions.





"We can't be locked in!—we must be finely attuned and as changeable as a chameleon!"

Q: "How does a department store president with a *fixed* facility keep up with the *constant* changes we see going on?"

A: "He and his associates must accept the attitude that nothing can become fixed, that all new ideas and approaches are possible and will be evaluated, that change is the only ongoing process."

Q: "But how do you adapt to this mobility?"

A: "By not being locked in, physically as well as mentally. Weinstock's modular or flexible approach to interior display permits an infinite number of new looks and adaptations, and our use of color and lighting creates new moods, changing, as required, the environmental settings for the merchandise."

Q: "That means keeping aware of new developments in many fields, doesn't it?"

A: "Yes it does. You see, a successful retailer today can't be too sure of himself...for long! One mustn't get hung up in any particular or fixed concept. He must mirror, if you will, the whole changing and fracturing spectrum of society. As that changes, he must change with it."

Q: "Well, besides being aware and following all the apparent trends, what does Weinstock's do to keep ahead, looking to what will be happening?"

A: "One way is to do your *own* continuing research!" We try to find out for ourselves what the youthful minds...no matter the chronological age...the minds that *think* young as well as are young...are really thinking, reading, wanting, and finding stimulating. Our own Weinstock's people are participating daily in practically every age spectrum."

Q: "Besides your own people, do you use any other method?"

A: "That we do...by going to schools, for example, talking to students and to community groups, clubs, organizations...finding out what's really relevant...setting up youth pro-

grams, related lectures, interesting classes. If we find out, for example, that our customers want to know more about modern art, we may establish classes in art...if science is their bag, we'll institute specific lectures in special phases of physics, mathematics, space, chemistry...if athletics is the need, sports programs...whatever they tell us!"

Q: "Sounds like you're competing with the Ford Foundation!"

A: "Weinstock's will be what we must be...to serve the community, provide outlets, reflect their needs. You see, department stores today just can't be all blatantly commercial. We need to think of the community."

Q: "What do you do then with research data when you gather it...at the source, as you say?"

A: "Properly evaluate it, then incorporate it into our business. Then change, as may be indicated, to reflect the current moods, tastes, interests."

Q: "Was your 'Rock Island' promotion last year a result of this thinking?"

A: "Yes. Retail business has become show business. We wanted to impress on the young population of Sacramento...and those who think young...that we're *with it*! And by the way, you might be interested to know that the Sacramento area has one of the highest teen populations of any city of its size in the United States!...You see, we're dealing with many more emotional responses today and a whole new generation of impulses...and those impulses are kaleidoscopic in character...ever mobile, variable, fluid, fluctuating..."

Q: "Why is this so today?"

A: "We're dealing with a better educated, better traveled, more exposed, and more affluent society, a population that's expressing higher taste levels than ever before and ever seeking change. For example, did you know that more people are buying good art today...at all levels of income...than at any other time? So you see it's more than the new affluence...it's new knowledge and stimuli and, as a consequence, better taste and interest levels."

Q: "How do you represent this new taste, generate these more emotional impulses, as you put it, at Weinstock's?"

A: "We work to make shopping an experience ...a happening!...by having a strong and contemporary orientation. Notice I didn't say 'mod', I said *contemporary*...whatever we must be at the time."

Q: "Back to your previous point now about not being 'locked in *physically*' and your modular approach with built-in flexibility...what did Weinstock's do last year in this area?"

A: "More boutiques, better arrangements of departments, more and *newer* colors, younger and more aesthetic approaches to store and departmental environments."

Q: "But isn't every retailer doing that? What's unique at Weinstock's?"

A: "Last year, for example, we introduced a much more emotional environment in all fashion areas in all our suburban stores...and we did so at minimal investment. We changed the configuration of all our young adult areas, children's areas, young men's departments, selected home areas through new lighting, color, shop concepts, and new presentation ideas and approaches. You see, it's *how* we change and when we change. Even our personnel are dressing differently. They wear their own taste and they can wear our current fashions. They have become 'living models', subtly, as they serve customers. That's one of our techniques, too. All are flexible and subject to the next impending change."

Q: "A year ago you said that the moving force at Weinstock's was, and I quote, 'capturing the climate of today's youth'...do you stand by that now?"

A: "I'd like to rephrase that...I don't want to say 'today's youth'. I would say that our thrust is to recast Weinstock's to properly reflect young attitudes and contemporary *minds*...we're interested in achieving responses from youthful attitudes, whether they're teen-agers or senior citizens!"

Q: "By the way, what changes are forthcoming in Weinstock's stores?"

A: "Our 8th store, at the Fresno Fashion Fair, will open August 31, 1970! More importantly, it will be the first of our newly designed prototype for other Weinstock's stores to come."

Q: "You said the Fresno Fashion Fair store will be a new design?"

A: "Yes. Very contemporary in exterior, new use of color and presentation techniques, in shop concepts, in departmental groupings and alignments oriented to consumer end-uses. We expect this exciting store design to give us many great opportunities to create whole new moods in modern merchandising, both in Fresno and in other future locations."

Q: "Beyond opening new stores, what is your main challenge today?"

A: "To build an ever-going department store business with day-to-day customer acceptance and appeal to the broad middle and upper-middle family income ranges. All this directed toward the population under 45 with merchandise at price lines that encompass the wants, modes of living, and leisure habits of families whose incomes range from \$7,000 to \$25,000."

Q: "That brings us to the last question, a rather challenging one. What, in a few words, is your merchandising philosophy?"

A: "Can I have 60 words?"

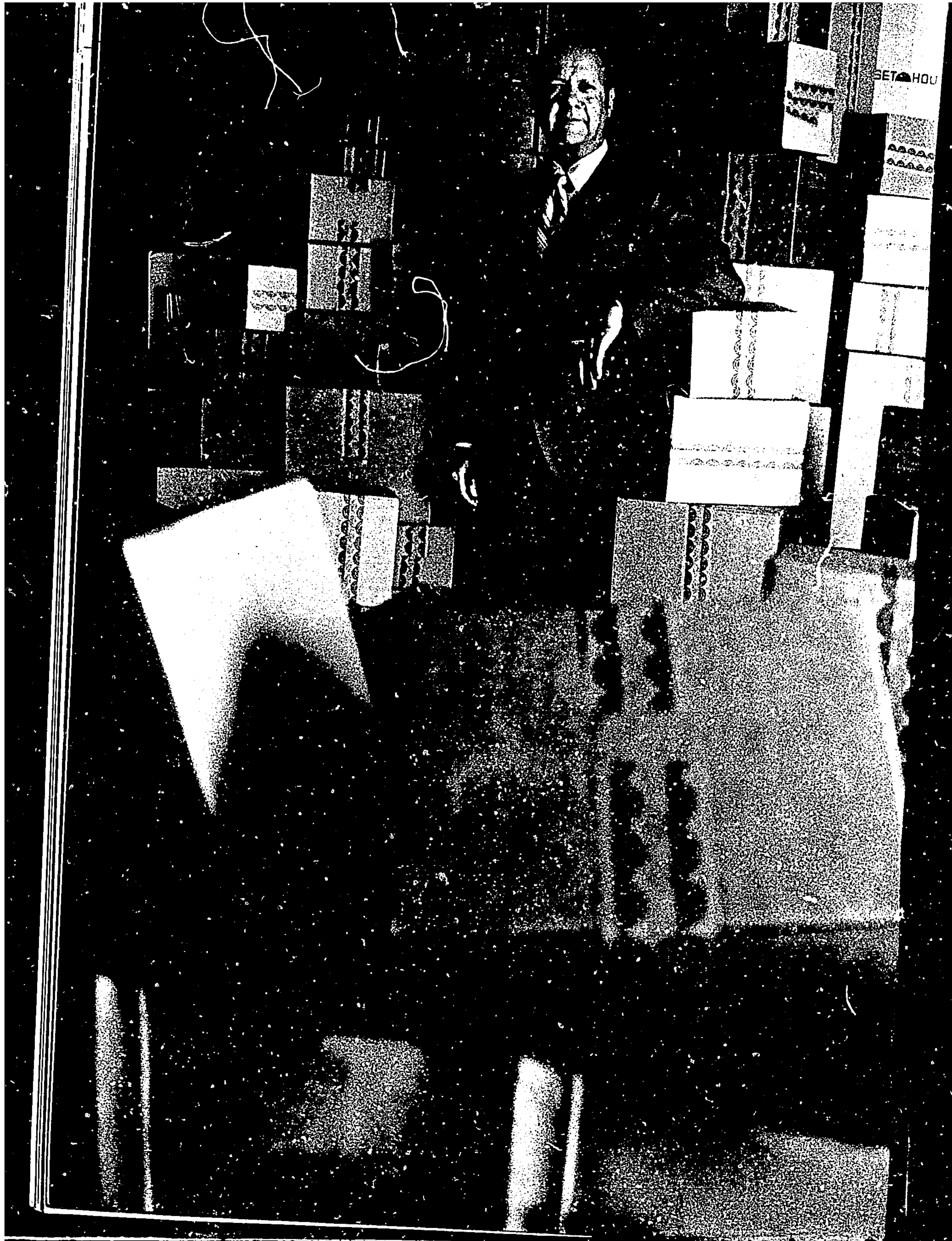
"Go ahead!"

"Our philosophy is to build and have strong and contemporary fashion orientation and emphasis in all classifications of merchandise to satisfy the basic drives, daily requirements, activities and aspirations for our customers. It is to sell our customers surroundings which are superior to our competition, and which embody the attributes and changes that make shopping an appealing and exciting experience."

Weinstock's



Prior to opening of school, Weinstock's scheduled a special Rock Island Express promotion. The color-rich train made a circular trip through scenic Northern California, carrying youthful student passengers, musicians and chaperones. Weinstock's emphasis on contemporary fashions also is expressed in special showings of design collections throughout its trading areas.



Roy Hedberg
President, Sunset House

Sunset House

"It has to be 'an item'!...by that we mean the unique, the novel, the unusual! That's our appeal to more than six million customers!"

Q: "First, Mr. Hedberg, may we have some facts, some pure numbers about Sunset House."

A: "We have a fairly constant employment of around 600 people engaged exclusively in the mail order business."

Q: "Your new plant is 200,000 square feet big. That's a lot of walking, right?"

A: "It is. Our customers are pretty far flung too. We mail in excess of 50,000,000 catalogs per year. Our orders come from all 50 states."

Q: "With all this exposure and geographical reach it's not hard to understand a customer file of more than six million. How many items do you offer these millions?"

A: "Most of our catalogs include about six hundred items—about one thousand in our Christmas catalogs. Hopefully, many fulfill our objective of offering unique, novel, unusual things...not readily or easily available elsewhere. They include fun things...wild novelties and some practical utilitarian items...household gadgets, gardening equipment, tools, auto accessories, ready-to-wear, gifts, even 'hip' things like psychedelic lamps. Our objective is to provide a study in contrasts."

Q: "Regardless of area, type of buyer, etc. your objective is to make available interesting, unusual items that are impulse type items, is this correct?"

A: "Yes, it is, definitely. The appeal, as presented in our catalog, has to be such that our customers will recognize a need as they browse through the book. To accentuate this kind of response, we attempt to present our merchandise in a most attractive and appealing way. We prepare our own photographs for all items carried. We attempt to demonstrate the use of the item in a manner that permits the buyer to visualize her own application. Our catalog production people are expert in this area."

Q: "Sunset House is mail order, but you have seventeen retail stores throughout California! How do you explain that?"

A: "We found our stores in California to be a natural adjunct to our mail order business. We carry in the stores the items listed in our catalog, but handle also a number of other lines that have retail appeal."

Q: "What are some of the things you're doing now or look forward to in the 1970's?"

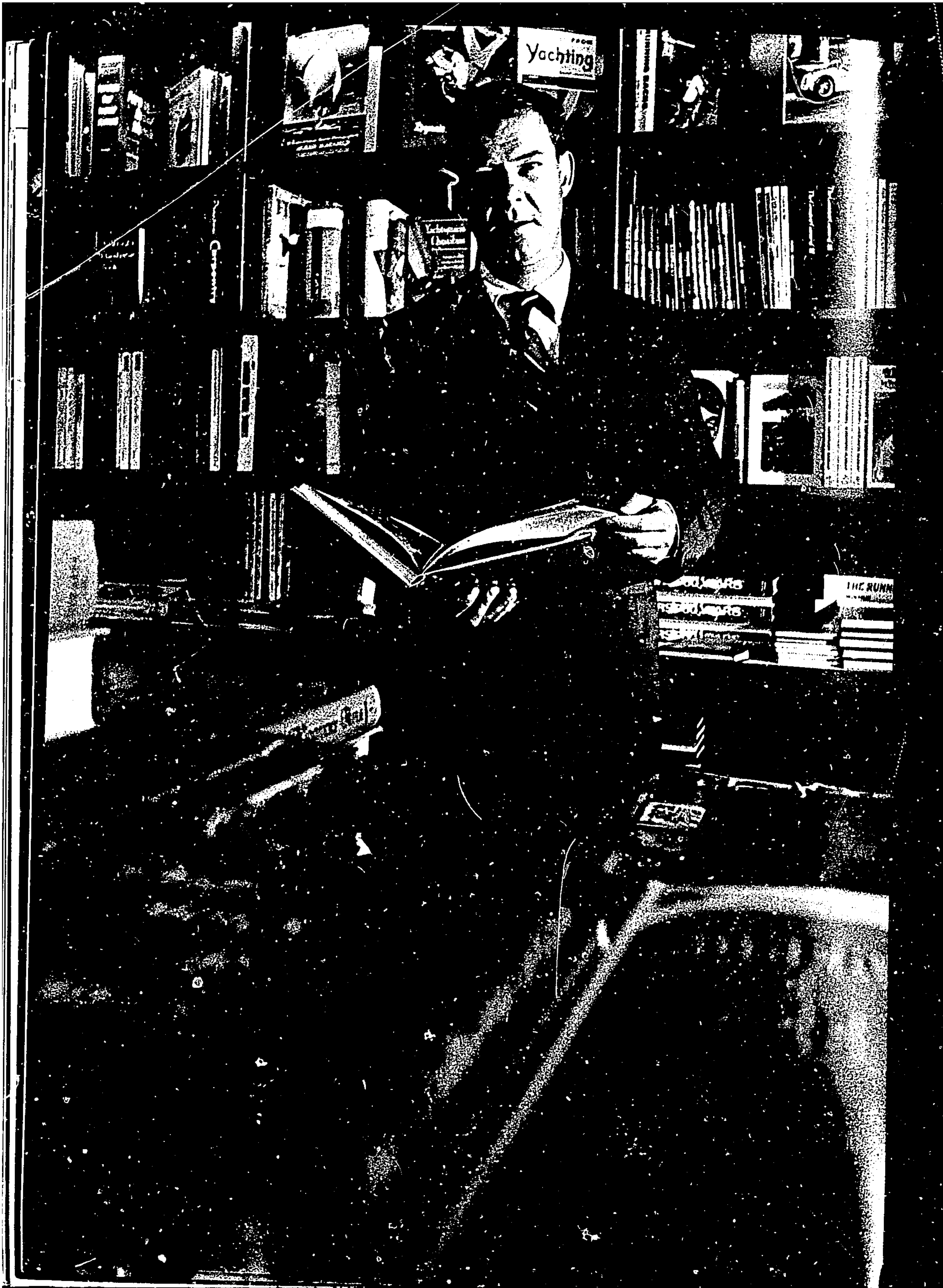
A: "We are gradually increasing the scope and price range of the items we carry. Our latest catalog includes a novel portable dishwasher at a price of \$39.95. We are making special mailings of attractive four-color brochures listing dresses, hosiery, men's sweaters, slacks, socks. The results to date have been intriguing, to say the least. We will do more and more research in such areas. This new approach will also affect our stores. We are expanding our merchandising approach here too."

Q: "What else looks interesting for the 70's?"

A: "A more personalized merchandising appeal...particularly through the use of what are called 'Computer Letters'. A strong promotional appeal letter is mailed with the catalog and the computer permits us to personalize the message by 'filling in' certain data that is identifiable with each customer. For example, to emphasize a contest or special promotion, we print the family name and address right in our appeal. If done right...and we do it right...it looks completely matched with the entire message. This personalization has been very successful."

Q: "Would you summarize, in just a few words, your personal merchandising philosophy?"

A: "Perhaps I can. Every retailer has his own ideas, as you know, about what is important. Mine doesn't include profundity...I just feel that the successful distributor will always be the one that works harder than his competitors. In our case, this involves finding new, interesting, unusual items...items with impulse appeal...that also have 'usefulness'. Tie that in with some pragmatism...and promote the items in a manner that will help insure satisfactory profit margins."



Walden Book

"Before Walden, only a handful of good book operations existed and mostly in major cities. We have changed this picture and intend to extend our reach even further!"

Q: "Before Walden came on the scene, where was the business of selling books?"

A: "Ten or fifteen years ago, the biggest book sellers were the book clubs. Books just weren't easily available except in a few major cities. People went to a library and hoped the book was in! If they lived in a small city they traveled to a big one! Or they special-ordered the book from a local department store."

Q: "You started in the lending library business, didn't you, Mr. Hoyt?"

A: "Yes, we did. In the early 30's...the day the banks were closed! We started lending libraries in department stores. By 1948 we began operating high quality book departments in major stores."

Q: "Did this prove a profitable operation?"

A: "Enough to sustain us until the late 1950's when we started the National Book Service, the wholesale arm of our company. It's a wholly-owned subsidiary of Walden Book and functions as a wholesaler and merchandiser for small and medium sized department stores."

Q: "And what kind of numbers are we talking about?"

A: "Walden operates leased departments in about 70 stores. Our first Walden Book Store was opened in the 60's. This was a small, experimental unit in Pittsburgh. The figures looked pretty good. We've been adding more units ever since, reaching about 65 right now. This is by far the largest division of the company and it's growing. We'll be opening about 30 units a year in the near future."

Q: "There's a need for that number of stores?"

A: "We think so. As availability of books increases, so do purchases. Before we go in, book sales per person are lower than after a Walden Book Store is there!"

Q: "Does this account for the fact that your business is growing at the rate of roughly 40% a year?"

A: "That's one reason. It also seems that people in general are reading more than they used to."

Q: "And what are the big sellers today?"

A: "Definitely the 'how-to-do-it' books! Leisure time, sports, hobbies...you see, if people are going to do these things they need a book to tell them how...whether it's photography or sailing or golf or skiing or gardening! Then big art books! Beautiful reproductions. Coffee table books. There's a phenomenal interest in art today!"

Q: "What others?"

A: "Religion, believe it or not! Not only the Bible, but books on religion and about religion."

Q: "Hard cover or paperbacks?"

A: "Both, paperbacks are approximately 30% of our business."

Q: "And what about the reading habits of youth today?"

A: "They read! A large proportion of our sales come from young people between the ages of 14 and 23. They're buying the classics, the good fiction, poetry, art, politics, science! Most of the really good books are being bought by young people."

Q: "What's unique about Walden?"

A: "Our inventory! We have books in our stores you just won't find anywhere else. We make it our business to find out about new and interesting and unusual titles."

Q: "Tell us, what's changing today in the book business?"

A: "It's moving faster! If something comes out on Monday you'd better have it by Tuesday because it's going to hit the whole country by Wednesday! It's caused by the instant communication we have today."

Officers & Directors

PRENTIS C. HALE *Chairman of the Board*

EDWARD W. CARTER *President*

EATON W. BALLARD *Executive Vice President*

W. EARL MILLER *Executive Vice President*

DANIEL F. MINAHAN *Vice President*

HOWARD N. WEST *Treasurer*

WILLIAM D. MEYER *Secretary*

GEORGE F. GEER *Assistant Treasurer*

E. J. CALDECOTT *Assistant Secretary*

EATON W. BALLARD

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NEWTON J. HALE

PRENTIS C. HALE

PHILIP M. HAWLEY

CHARLES S. HOBBS

EDWARD S. MARCUS

STANLEY MARCUS

ARTHUR H. MARSTON, JR.

THEODORE R. MEYER

ROY L. SHURTLEFF

CHARLES S. THOMAS

TRANSFER AGENTS

Security Pacific National Bank, *Los Angeles*
Morgan Guaranty Trust Company of New York

REGISTRARS

United California Bank, *Los Angeles*
The First National City Bank of New York

INDEPENDENT ACCOUNTANTS

Price Waterhouse & Co.

EXECUTIVE OFFICES

600 South Spring Street, *Los Angeles 90014*

**Broadway-Hale Stores, Inc.
and Subsidiaries**

**Consolidated
Current Earnings**

		<i>Fiscal Year Ended</i>	
		<i>January 31, 1970</i>	<i>February 1, 1969 Restated</i>
NET SALES, including sales of leased departments		\$639,661,000	\$588,132,000
COSTS AND EXPENSES			
Cost of goods sold		381,413,000	348,952,000
Selling, operating and administrative expenses, less credit service charges		161,475,000	150,473,000
Taxes other than federal income tax		19,879,000	17,782,000
Rentals of real property		11,873,000	11,542,000
Depreciation and amortization		9,069,000	8,250,000
Interest		10,804,000	8,241,000
Minority interest in net earnings of The Emporium Capwell Company		4,644,000	4,305,000
Federal income tax		23,000,000	21,761,000
TOTAL		622,157,000	571,306,000
NET EARNINGS		\$ 17,504,000	\$ 16,826,000
PER SHARE OF COMMON STOCK		\$2.36	\$2.25
PER SHARE OF COMMON STOCK—ASSUMING FULL CONVERSION OF PREFERRED STOCK		\$2.31	\$2.21

See accompanying Notes to Financial Statements

Financial Statements

		<i>Fiscal Year Ended</i>	
		<i>January 31, 1970</i>	<i>February 1, 1969 Restated</i>
Consolidated Accumulated Earnings	BALANCE AT BEGINNING OF YEAR	\$84,871,000	\$75,457,000
	NET EARNINGS	17,504,000	16,826,000
	CASH DIVIDENDS		
	Common stock, \$1.00 per share	(6,412,000)	(6,360,000)
	Preferred stock, \$2.00 and \$.25 per share	(2,022,000)	(75,000)
	Paid by subsidiaries prior to pooling	(193,000)	(977,000)
	BALANCE AT END OF YEAR	<u>\$93,748,000</u>	<u>\$84,871,000</u>

		<i>Fiscal Year Ended</i>	
		<i>January 31, 1970</i>	<i>February 1, 1969 Restated</i>
Consolidated Statement of Source and Application of Funds	SOURCE OF FUNDS		
	Net earnings	\$17,504,000	\$16,826,000
	Depreciation and amortization	9,069,000	8,250,000
	Earnings credited to minority interest, less dividends paid ...	2,181,000	1,943,000
	Issuance of long term notes	5,250,000	16,548,000
	Increase (decrease) in pensions and other long term liabilities	2,551,000	(567,000)
	Decrease in other assets	1,321,000	894,000
	TOTAL	<u>37,876,000</u>	<u>43,894,000</u>
	APPLICATION OF FUNDS		
	Cash dividends	8,434,000	6,435,000
	Dividends paid by pooled subsidiaries	193,000	977,000
	Property additions, net	7,981,000	31,822,000
	Payments on long term notes	9,065,000	4,303,000
	TOTAL	<u>25,673,000</u>	<u>43,537,000</u>
	INCREASE IN WORKING CAPITAL	<u>\$12,203,000</u>	<u>\$ 357,000</u>

See accompanying Notes to Financial Statements

**Broadway-Hale Stores, Inc.
and Subsidiaries**

**Consolidated
Balance Sheet**

	January 31, 1970	February 1, 1969 Restated
CURRENT ASSETS		
Cash	\$ 12,488,000	\$ 10,760,000
Accounts receivable, less \$2,231,000 and \$2,042,000 allowance for doubtful accounts	110,528,000	93,814,000
Equity in \$55,444,000 and \$55,475,000 accounts receivable sold	5,544,000	5,547,000
Reimbursable construction costs under sale and lease-back agreements	8,722,000	3,047,000
Merchandise inventories	109,065,000	107,062,000
Operating supplies and prepaid expenses	6,985,000	6,293,000
TOTAL CURRENT ASSETS	253,332,000	226,523,000
PROPERTY AND EQUIPMENT	126,673,000	127,761,000
EXCESS OF COST OF INVESTMENT IN THE EMPORIUM CAPWELL COMPANY OVER EQUITY IN NET ASSETS AT DATES OF ACQUISITION	40,605,000	40,605,000
OTHER ASSETS	2,777,000	4,098,000
TOTAL ASSETS	\$423,387,000	\$398,987,000

See accompanying Notes to Financial Statements

Financial Statements

	January 31, 1970	February 1, 1969 <i>Restated</i>
CURRENT LIABILITIES		
Notes payable	\$ 20,275,000	\$ 18,900,000
Current instalments on long term notes payable	11,913,000	3,915,000
Accounts payable and accrued expenses	56,731,000	56,286,000
Dividends payable	2,789,000	2,296,000
Current federal income tax	8,988,000	7,781,000
Deferred federal income tax	<u>15,931,000</u>	<u>12,843,000</u>
TOTAL CURRENT LIABILITIES	116,627,000	102,021,000
LONG TERM NOTES PAYABLE	84,128,000	87,943,000
PENSIONS AND OTHER LONG TERM LIABILITIES	11,042,000	8,491,000
MINORITY INTEREST IN		
THE EMPORIUM CAPWELL COMPANY	44,063,000	41,882,000
EQUITY OF SHAREHOLDERS		
Preferred stock, \$5 par value (liquidation value \$50,079,000)	5,564,000	5,564,000
Common stock, \$5 par value	32,595,000	32,595,000
Other paid-in capital	37,031,000	37,031,000
Accumulated earnings	93,748,000	84,871,000
Less—54,000 shares of common stock held in treasury, at cost	<u>(1,411,000)</u>	<u>(1,411,000)</u>
TOTAL EQUITY OF SHAREHOLDERS	<u>167,527,000</u>	<u>158,650,000</u>
TOTAL LIABILITIES AND EQUITY OF SHAREHOLDERS	<u>\$423,387,000</u>	<u>\$398,987,000</u>

**Broadway-Hale Stores, Inc.
and Subsidiaries**

**Notes to
Financial Statements**

Basis of Reporting and Pooling of Interests: The consolidated financial statements include the accounts of Broadway-Hale Stores, Inc. and its subsidiaries, after elimination of intercompany items. In November 1969, the Company, through a newly formed subsidiary, merged with Walden Book Company, Inc. by exchange of 104,993 shares of the Company's common stock. This transaction has been accounted for as a pooling of interests and accordingly the financial statements for fiscal year 1968 have been restated to include Walden Book Company, Inc.

The Company owns 50.3% of the common stock of The Emporium Capwell Company and carries this investment at cost plus its equity in Emporium's undistributed earnings since the dates of acquisition. The \$40,605,000 excess of the cost of the Company's investment in Emporium over its equity in that corporation's net assets at the dates of acquisition is considered to be an intangible asset with an indefinite life which requires no amortization.

Merchandise Inventories: Merchandise inventories are generally stated at the lower of cost or market as determined by the retail method applied on a first-in, first-out basis, except for inventories of Emporium, aggregating \$31,409,000, which are stated principally at last-in, first-out cost, not in excess of market.

Property and Equipment: Property and equipment, carried at cost less accumulated depreciation and amortization, consists of:

	January 31, 1970	February 1, 1969 Restated
Land	\$ 16,305,000	\$ 22,237,000
Buildings and improvements	81,477,000	79,789,000
Lease improvements	18,460,000	16,055,000
Fixtures and equipment	66,509,000	61,544,000
Construction in progress	5,163,000	3,223,000
	<u>187,914,000</u>	<u>182,848,000</u>
Less accumulated depreciation and amortization	61,241,000	55,067,000
	<u>\$126,673,000</u>	<u>\$127,761,000</u>

Depreciation and amortization provisions have been calculated primarily by the straight line method at rates based upon estimated useful lives of the various facilities or upon the lives of the related leases if such periods are shorter.

Federal Income Tax: Deferred federal income tax results from the deferment for tax purposes of gross margin on uncollected instalment sales, the use of accelerated depreciation for tax purposes and the recognition of certain other expenses in advance of the time they become deductible for tax purposes. The portion of deferred tax relating to instalment receivables and other current items is shown as a current liability while tax allocations related to noncurrent items are included in pensions and other long term liabilities. Federal income tax expense includes:

	Fiscal Year Ended January 31, 1970	February 1, 1969 Restated
Tax currently payable, net of investment credit of \$386,000 and \$1,096,000	\$19,643,000	\$18,110,000
Deferred tax, net	3,357,000	3,651,000
	<u>\$23,000,000</u>	<u>\$21,761,000</u>

Long Term Notes Payable: Notes payable maturing more than one year after the balance sheet date comprise:

	January 31, 1970	February 1, 1969 Restated
4% - 4 $\frac{3}{4}$ % due 1971-84	\$38,484,000	\$41,940,000
5.65% - 5 $\frac{3}{4}$ % due 1971-88	13,737,000	13,810,000
6% - 6 $\frac{1}{2}$ % due 1971-93	31,907,000	30,315,000
Other notes	—	1,878,000
	<u>\$84,128,000</u>	<u>\$87,943,000</u>

The notes payable at January 31, 1970 include \$8,027,000 secured by property carried at \$11,500,000. Principal maturities in each of the next five fiscal years are:

Year ending in	1971	1972	1973	1974	1975
	\$11,913,000	\$13,215,000	\$13,303,000	\$10,776,000	\$7,813,000

Financial Statements

Pensions: Retirement benefits are provided to employees of the Company and its subsidiaries under a number of pension and profit sharing plans. Profit sharing contributions and a portion of the pension costs are currently funded. Total pension expense for the year ended January 31, 1970 was \$2,931,000 which covered the actuarially computed amount necessary to provide for current service costs, amortization of past service costs over periods of 20 to 40 years and interest on all unfunded amounts. The actuarially computed value of vested benefits under all plans, for past service, exceeded the total of pension funds and accruals by approximately \$3,900,000 at the most recent valuation dates.

Commitments: Most of the department stores are occupied under leases which generally provide for fixed rentals, require payment of property taxes and insurance and are for terms of 30 years with renewal options. At January 31, 1970 the minimum annual rental on real property payable in the following year under existing long term leases is approximately \$11,000,000. In addition, fixtures in some of the Company's stores are leased for periods up to 15 years; at January 31, 1970 the annual fixture rental payable in the following year is approximately \$3,700,000.

Earnings Per Share: Earnings per share of common stock are computed on the basis of the weighted average number of shares outstanding during the year after recognition of preferred dividend requirements. Earnings per share of common stock, assuming full conversion of preferred stock, are computed on the assumption that all of the outstanding preferred stock was converted into common shares at the beginning of the year, eliminating preferred dividend requirements.

Equity of Shareholders: Other than restatements for poolings of interests, there were no changes in capital stock and other paid-in capital during the two fiscal years ended January 31, 1970. The numbers of shares of capital stock authorized and outstanding at January 31, 1970 and February 1, 1969 are as follows:

	Authorized	Outstanding	
		January 31, 1970	February 1, 1969 Restated
Preferred stock, \$5 par value	5,000,000		
\$2 convertible preferred stock, Series A		1,112,867	1,112,867
Common stock, \$5 par value	15,000,000	6,464,979	6,464,979

Each share of the \$2 Series A preferred stock provides for cumulative annual dividends of \$2, is convertible at any time into one share of common stock, is subject to redemption after April 1, 1976 at \$47, decreasing at the rate of \$.50 a year to \$45, and has a \$45 involuntary liquidation value.

Opinion of Independent Accountants

To the Directors and Shareholders
of Broadway-Hale Stores, Inc.

In our opinion, based on our examination and the report mentioned below of other independent accountants, the accompanying consolidated balance sheet, the related consolidated statements of current earnings and accumulated earnings and the statement of source and application of funds present fairly the financial position of Broadway-Hale Stores, Inc. and subsidiaries at January 31, 1970, the results of their operations and the supplementary information on funds for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of The Emporium Capwell Company, a consolidated subsidiary, which statements were examined by other independent accountants whose report thereon has been furnished to us.

Los Angeles, California
March 31, 1970

PRICE WATERHOUSE & CO.

**Ten Year
Financial Summary**

<i>In Thousands</i>	1969	1968	1967
Sales	\$639,661	\$588,132	\$553,403
Net earnings	17,504	16,826	15,720
Per share of common stock	2.36	2.25	2.24
Dividends on common stock	6,412	6,360	5,168
Per share of common stock	1.00	1.00	.93½
Current earnings retained in the business	8,877	9,414	9,686
Depreciation and amortization	9,069	8,250	7,647
Accounts receivable	116,072	99,361	87,525
Merchandise inventories	109,065	107,062	94,426
Working capital	136,705	124,502	124,145
Property and equipment	126,673	127,761	104,189
Total Assets	423,387	398,987	358,192
Long term debt	84,128	87,943	75,698
Equity of shareholders	167,527	158,650	149,236
Number of common shares outstanding	6,465	6,465	6,465

The years since 1965 have been restated to include Walden Book Company and the years since 1964 reflect the acquisitions in 1968 of Neiman-Marcus Company and Sunset House.

**Before extraordinary gain of \$1,318 (\$.23 per share) in 1965 and extraordinary loss of \$226 (\$.04 per share) in 1966.*

Financial Statements

1966	1965	1964	1963	1962	1961	1960
\$336,065	\$307,858	\$281,854	\$204,605	\$203,122	\$211,741	\$183,470
12,327*	11,606*	10,116	7,001	6,677	6,413	5,772
1.78*	1.64*	1.47	1.34	1.27	1.24	1.19
4,976	4,462	4,143	3,291	3,208	3,109	2,943
.90	.80	.76 $\frac{2}{3}$	.66 $\frac{2}{3}$	.66 $\frac{2}{3}$	.66 $\frac{2}{3}$	.66 $\frac{2}{3}$
6,308	7,756	5,287	3,548	2,081	2,949	2,457
3,914	3,770	3,244	2,022	2,017	1,791	1,756
60,060	63,198	58,166	43,618	51,232	43,020	43,174
60,576	53,730	47,075	36,578	33,737	32,532	36,160
74,173	77,587	90,421	57,228	57,517	55,868	60,771
43,291	45,090	40,639	28,508	25,938	22,522	22,433
226,686	213,341	188,501	128,313	121,998	109,750	120,359
41,968	44,323	46,074	33,498	22,194	23,454	27,701
107,905	101,794	95,096	65,569	62,080	55,232	55,058
5,636	5,642	5,591	5,200	5,200	5,020	5,008

*ANNUAL MEETING: The annual meeting of
shareholders will be held at the office of the company
in San Francisco, California on Tuesday, May 26, 1970.
Formal notice of the meeting, together with proxy statement
and form of proxy, will be mailed on April 29, 1970.*